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Diana T Fritz 06/05/2007 04:16:35 PM From DB/Inbox: Search Results

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CONFIDENTIAL

SIPDIS  
TELEGRAM

January 14, 2003

To: No Action Addressee  
Action: Unknown  
From: AMEMBASSY ABU DHABI (ABU DHABI 221 - ROUTINE)  
TAGS: PREL, ETRD, ECIN, ETTC, ECON, KIPR  
Captions: None  
Subject: GCC CUSTOMS UNION MAKING IT TOUGHER TO DO BUSINESS IN  
ABU DHABI?  
Ref: None

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C O N F I D E N T I A L ABU DHABI 00221

SIPDIS  
CXABU:  
ACTION: ECON  
INFO: P/M AMB DCM POL  
Laser1:  
INFO: FCS

DISSEMINATION: ECON  
CHARGE: PROG

APPROVED: A/DCM:TWILLIAMS  
DRAFTED: ECON:CMCRUMPLER  
CLEARED: NONE

VZCZCADI721  
RR RUEHC RUEHGV RUCNWTO RUCPDOG RUEHRH  
DE RUEHAD #0221 0141228  
ZNY CCCCC ZZH  
R 141228Z JAN 03  
FM AMEMBASSY ABU DHABI  
TO RUEHC/SECSTATE WASHDC 7883  
INFO RUEHGV/USMISSION GENEVA 0499  
RUCNWTO/WORLD TRADE ORGANIZATION COLLECTIVE  
RUCPDOG/USDOC WASHDC  
RUEHRH/AMEMBASSY RIYADH 1209

C O N F I D E N T I A L ABU DHABI 000221

SIPDIS

STATE FOR NEA/ARP, NEA/PPR  
STATE PASS USTR - JBUNTIN  
USDOC FOR USPTO  
USDOC FOR 4250/DOC/MAC/ONE/CLOUSTAUNAU  
GENEVA PASS USTR

E.O. 12958: DECL 01/14/2013  
TAGS: [PREL](#) [KIPR](#) [ETRD](#) [ECIN](#) [ETTC](#) [ECON](#) [TC](#)  
SUBJECT: GCC CUSTOMS UNION MAKING IT TOUGHER TO DO BUSINESS  
IN ABU DHABI?

REF: A) RIYADH 130, B) ABU DHABI 6910

¶1. (U) Classified by A/DCM Thomas E. Williams for reasons  
1.5 (b) and (d).

¶2. (C) Summary: Although it may be business-as-usual in  
some parts of the Gulf (ref A), the launch of the GCC

Customs Union on January 1 is actually raising barriers to trade in the UAE. The emirate of Abu Dhabi, in particular, is struggling to manage problems arising from the new requirement, per the GCC Customs Union, to impose 5 percent duty on previously exempt consumer goods. The local business community complains that certain imported goods, formerly exempt from customs duties under UAE jurisdiction, are now subject to 5 percent tax. While it is hoped that the GCC list of products exempted from duties will increase with time, for now local importers -- and ultimately consumers -- will pay a higher price for certain products in the UAE. End summary.

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An U.S. Company Cries Foul...  
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¶3. (C) An American oil services company contacted Econoff on January 5 to complain that oil field machinery -- previously exempt from any UAE customs tax -- is now subject to the 5 percent GCC duty. Deputy Director of Abu Dhabi Customs Department Mohammed Khamis confirmed that oil field machinery is subject to tax, but told Econoff that the emirate's Customs Department is willing to review the import of goods formerly exempted from customs duties on a case-by-case basis.

¶4. (U) Khamis noted that import goods on the UAE's exemption list could be exempted from the GCC customs tax if the importing company presents its industrial license to the customs authorities, as well as a letter from the General Industry Corporation or the Ministry of Finance certifying that the company is authorized to import the good. Although it is an untested procedure -- and specific to the emirate of Abu Dhabi -- Econoff advised the American company that this certification process may provide a temporary solution to the problem.

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...And Local Officials Despair  
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¶5. (C) The GCC Customs Union also limits the incentives the emirate of Abu Dhabi can employ to attract foreign investors. During a meeting of local and foreign businessmen on January 12, Director General of the Abu Dhabi Chamber of Commerce and Industry Mohammed Omar Abdullah confirmed that the emirate no longer could offer customs exemptions as a business investment incentive. He privately told Econoff that Abu Dhabi relied on customs exemptions to compete with the plethora of free zones in Dubai and the northern emirates. (Note: Transshipped goods are not subject to customs in the FZs.) Nevertheless, Abu Dhabi authorities do not plan to establish a free zone in the emirate, according to Abdullah.

¶6. (C) Comment: No one here doubts that the UAE will benefit from the GCC Customs Union in the long-run, but Abu Dhabi emirate and local businesses alike are feeling the painful effects of the transition. The matter is complicated further by the fact that the newly established UAE Customs Authority (ref B) -- the supposed central clearinghouse for customs information and changes related to GCC Customs Union -- is not yet up-and-running. Although the GCC exemptions list is sure to grow as Member States work out the mechanics of the Customs Union, Abu Dhabi importers are likely to factor in the increased cost of doing business here and pass it on to consumers. End comment.

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